

Loyalty and enthusiasm



Investor Relations

The Group is committed to continuously improving its standard of corporate governance and ensuring that full, timely and equitable information are disclosed to its shareholders and investors. In recent years, additional efforts were devoted to the building of investor relationships in all major market places, i.e. Hong Kong, Asia, Europe and the United States.

INVESTOR BRIEFINGS During the financial year 2003, VTech held over 50 one-on-one meetings with investors to keep them abreast of the latest Company's developments. In addition, we organized site visits to our advanced manufacturing facilities in mainland China. Senior management also participated in various investor conferences in Hong Kong and Shanghai, mainland China.

RESULTS ANNOUNCEMENT WEBCAST Beginning with the financial year 2003 interim results announcement, VTech began webcasting its key financial announcements, allowing investors not present in Hong Kong to watch the event, accompanied by the detailed slide presentations.

QUARTERLY NEWSLETTER In July 2002, the Group began to issue a quarterly newsletter to investors in order to keep them informed of VTech's latest developments.

INVESTOR SURVEY In February 2003, VTech conducted a brief survey (via its investor relations' advisors) on the perceptions of buy and sell-side analysts, to ascertain their views on the Company regarding its prospects and its investor communications. The information was used to improve the level of service that the Group provides to the investment community and confirmed the usefulness of initiatives such as the webcast and quarterly newsletter.

INVESTOR RELATIONS WEBSITE For all investors, the corporate website www.vtech.com provides up-to-date investor information, including press releases, stock exchange announcements and "pdf" versions of the annual and interim reports.

Employee Relations

The people who work at VTech have consistently demonstrated loyalty and enthusiasm to the Group both in periods of growth and during times of challenge. Particularly in the context of the outbreak of SARS, which had the potential to deal a severe blow to corporate morale, we took great care to ensure positive attitude was maintained at every level, from our factory floor through senior management.

MAINTAINING A SARS FREE WORKPLACE

VTech attaches great importance to the health of its employees and accordingly responded quickly to the SARS outbreak to ensure that risks to its employees, especially those in mainland China and Hong Kong were minimized.

The Company set up a SARS committee to formulate precautionary measures and business contingency plan in response to the potential threat to the organization. We followed strictly the guidelines issued by the Department of Health in Hong Kong to prevent exposure and potential infections. Among the many measures adopted, VTech ensured all employees understood the required standards of personal hygiene and provided face masks to all employees in Hong Kong and mainland China. Initiatives were taken to ensure a clean working environment at all our facilities, including increasing ventilation and regular disinfection. Thanks to the implementation of these precautionary measures, as at 25th June 2003, no VTech employee had contracted the virus.

RUNNING TOGETHER In February 2003, Chairman Allan WONG participated in the Standard Chartered Hong Kong Marathon along with 27 VTech colleagues. Events such as these strengthen the shared sense of purpose among management and employees.

Rewarding outstanding performance



CHAIRMAN'S AWARD VTech gives a Chairman's Award for an employee who has achieved outstanding performance to encourage excellence in the workplace. In January 2003, Chairman Allan WONG presented the 2002 award to Ralph Eric TISCHLER, Engineering Manager at VTech Telecommunications Canada Ltd. Mr. TISCHLER, who has been with VTech since 1989 and central to the creation of many core product lines, received the award for his management of the development of the ground-breaking 900MHz and 5.8GHz cordless telephone platforms in 1991 and 2002 respectively.

KEEPING OPEN THE DIALOGUE Open communications are critical to sound employee relations and VTech has sought to use the latest technology to expand the scope of its dialogue with employees.

VTech's intranet is one of the powerful tools that enables efficient communication between all our offices, offering an abundance of information on Company's developments, guidelines and standards, and cross-functional resource tools. Through the intranet, the global on-line quarterly newsletter keeps staff informed of key developments within the Group.

The quarterly "Chairman's Letter" opens lines of communication directly between all staff around the world and the Chairman. In the letter, the Chairman discusses broad issues facing the Group and solicits the views of those affected. The responses from employees have been very positive.

DEVELOPING PEOPLE THROUGH TRAINING AND EDUCATION Quality product begins with quality people. VTech places particular emphasis on enriching the lives of employees through education.

People working at the Group receive a wide variety of practical job-related training that have been designed specifically to enhance their on-the-job performance. Courses that have been offered range from such soft skills as delivering effective presentations and people management to courses on computer performance and literacy.

In addition, each year VTech offers training subsidies to employees choosing to follow courses of study that will broaden their skills. During the financial year 2003, our people have taken up subsidies for courses ranging from various seminars to MBA/MSc programs.

EMPLOYMENT POLICY The policy at VTech is to employ, retain, promote, terminate and treat all employees on the basis of merit, qualifications and competence. The Group creates a favorable work environment in which all employees can enjoy equal opportunities at work and avoid discrimination on the grounds of age, sex, status, disability or any other non-job related factor.

VTech and the Community

VTech's products and technology aim to enhance people's lives by making them more enjoyable, fulfilling, convenient and enlightening.

The Company creates prosperity through the employment it provides to approximately 13,500 people from all walks of life in the United States, Europe and Asia. VTech also seeks effective ways of supporting community initiatives in the markets where it operates that help further ideals such as improved access to education and support for individuals in genuine need.

In Hong Kong, VTech provides summer internships at local universities and colleges of education. These give students the opportunity to gain real-life experience of the world of work.

XLLENCE AWARDS FOR OUTSTANDING CHILDREN In the United States, the Group's donation and sponsorship programme also has a special emphasis on education. For the 2002-2003 school year, VTech announced a sponsorship agreement with the National Parent Teacher Association (PTA) to create the "XLlence Awards" programme which honors children aged 5 to 11 years old, who excel in all areas of their lives, from school and extracurricular activities to community service.

In January 2003, after receiving more than 600 essay nominations, VTech's panel of judges selected 31 XLence Awards winners, including a 10 year-old Grand Prize Winner from California who will receive a US\$25,000 scholarship and five First Place winners who will each receive a US\$1,000 scholarship and a Gateway personal computer.

Corporate Governance

VTech is committed to maintaining a strong system of corporate governance so that all business activities and decision-making can be properly regulated. In May 2003, VTech was ranked the 6th among the top 10 Hong Kong companies for its good corporate governance in the 2003 CLSA Corporate Governance Report. This report was produced by CLSA and Asian Corporate Governance Association (ACGA), an independent, non-profit organization based in Hong Kong that works on behalf of all investors and other interested parties to improve corporate governance practices in Asia. This report did recognize VTech's effort and commitment in maintaining a high level of corporate governance.

Our company structure also helps ensure that the Group operates in a lawful, ethical, structured, transparent and effective manner.

THE BOARD OF DIRECTORS To achieve this, the Board has established three governing boards with defined terms of reference. They are the Board of Management, Audit Committee and Risk Management Committee. Further committees may be established in future as and when needed.

BOARD OF MANAGEMENT The Management Board has been delegated the authority by the Board of Directors to be responsible for management of all business activities of the Group. Its members are appointed by the Board from time to time and comprise executive directors and senior management executives.

AUDIT COMMITTEE The Audit Committee has been established to assist the Board in fulfilling its oversight responsibilities for financial reporting, risk management and evaluation of internal controls and auditing processes. It also ensures that the Group complies with all applicable laws and regulations.

The Audit Committee meets at least twice a year to receive reports from external auditors, reviews the interim and annual financial statements, and receives regular reports from the internal audit functions.

RISK MANAGEMENT COMMITTEE The Risk Management Committee assists the Audit Committee and management in reviewing and assessing the adequacy of the Group's risk management and internal control systems. It meets as required and to report to the Board in conjunction with the Audit Committee.

The Group maintains controls to safeguard the Group's assets and ensure that transactions are executed in accordance with management's authorization. The information systems in place are designed to ensure that the financial report is reliable. The Risk Management and Compliance division, headed by the Chief Compliance Officer, will assist the Risk Management Committee to independently review these controls and evaluate their adequacy, effectiveness and compliance.